

FOR IMMEDIATE RELEASE

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## **Consumer Complaints Lead to Mortgage Company Settlements**

AUGUSTA, MAINE – Two mortgage lenders have paid a total of \$44,564.94 in consumer restitution and penalties, and refinanced more than \$400,000 in mortgage loans, under a settlement announced by state regulators on February 23, 2007. A loan officer has also been suspended from his profession for 30 days.

Thirteen Maine consumers benefited from the settlement, which involves Residential Mortgage Services (RMS) of South Portland, and Salem Capital Group (Salem Capital) of Portland. The two companies refinanced \$406,520 in existing high-rate and balloon notes, replacing them with low-rate mortgages, and also provided restitution as the result of Salem Capital's unlicensed lending activity. The companies paid civil fines to the state totaling \$10,000, and paid an additional \$5,000 to cover the regulators' investigative expenses.

A two month compliance examination by the State's Office of Consumer Credit Regulation found violations of Maine law, including unlicensed lending and arranging for consumers to enter into undocumented "side agreements." Will Lund, director of the state regulatory agency, noted that RMS, Salem and the loan officer cooperated fully with the investigation, disclosed all records voluntarily, and have amended their quality control measures to prevent recurrence of the violations.

The investigation found that an RMS loan officer, Robert Raymond, assisted consumers to qualify for conventional mortgages by first steering them into borrowing funds from Salem Capital. The loans were secured by second mortgages and written on short-term, commercial, 6-month balloon contracts. Salem Capital does not hold a Maine mortgage lending license.

The proceeds from the second mortgage loans from Salem, typically \$20,000 to \$30,000, were deposited into the consumers' savings accounts, where they were listed as assets in support of credit applications. RMS management was not told that loans from Salem Capital were the sources of the savings account deposits.

Consumers complained to state regulators the loan officer assured them that they could refinance the short-term balloon notes when the notes came due. However, when the time came to pay off the notes, consumers found that they were not able to refinance the loans as promised.

Raymond's eligibility to act as a loan officer was suspended for at least 30 days, as part of the settlement. He must satisfactorily complete mortgage education courses before qualifying for future registration, including receiving training in legal compliance and ethics.

"Although the arrangements at RMS were made by this particular loan officer without the knowledge of the company's owner, all licensed lenders and loan brokers are ultimately

responsible for the actions of their employees, said Lund. “With respect to Salem Capital, all lenders are required to be aware of Maine’s licensing requirements,” Lund added. The settlement prohibits Salem Capital from making future consumer loans unless the company applies for and obtains a license.

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*The Maine Office of Consumer Credit Regulation was established in 1975 to enforce a variety of credit-related consumer laws. It is part of the Department of Professional and Financial Regulation. The Office licenses lenders, creditors and collectors; conducts periodic examinations of creditors to determine compliance with state laws; and responds to consumer complaints and inquiries. The Office also conducts educational seminars and provides speakers to advise consumers and creditors of their legal rights and responsibilities. Consumers can reach the Office by calling toll-free 1-800-DEBT-LAW (1-800-332-8529).*

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### Specific remedies provided (consumers de-identified for privacy)

CONSUMER	RESTITUTION	OTHER EQUITABLE RELIEF
1. Scott O.		Refinanced first and second mortgage 1 <sup>st</sup> loan amount: \$147,200, fixed rate, 30 years 7.375% 2 <sup>nd</sup> loan amount: \$27,600, fixed, 20 years 12.5% Reduced payment \$62 per month
2. Brandy D.		Refinanced secondary market-rate first mortgage; \$186,000, fixed rate, 30 years, 8.125%; Reduced payment \$232 per month
3. Donna G.	\$3,482.50	Refinanced; Portfolio loan of \$183,000; 5% fixed 30 yr loan, no cost to borrower; Reduced payment to less than \$1,000, per consumer’s request
4. Terry A.		Refinanced Secondary market-rate first mortgage; \$217,800, fixed rate, 30 years, 7.75%
5. Gregory W.		New 2 <sup>nd</sup> : RMS rewrote second mortgage at 8% fixed, 30 year; No closing costs
6. Nicholas S.	\$7,966.91	New 2 <sup>nd</sup> : RMS rewrote second mortgage \$60,000 @ 6% 30 year fixed rate. RMS offered to pay closing costs when borrower was able to refinance first and second
7. Jeffrey D.	\$1,211.85	New 2 <sup>nd</sup> : Meridian Mortgage refinanced second mortgage \$17,000 @ 6% fixed for 30 years. Payment of \$101.92 per month
8. Robin D.		Refinance at 8.25% fixed, 30 years

	CONSUMER	RESTITUTION	OTHER EQUITABLE RELIEF
9.	Dorothy P.		New 2 <sup>nd</sup> ; RMS rewrote second mortgages \$28,500, 8% fixes, 30 year; No closing costs
10.	Jason H.	\$6,445.00	Refinanced; loan refinanced with outside investor through RMS; \$275,500, ARM, 30 years, 8.9% Reduced payment more than \$100 per month
11.	Laurie R.	\$4,370.00	Borrower has been fully approved and cleared to close on a secondary market first mortgage loan consolidating her present 1 <sup>st</sup> and 2 <sup>nd</sup> . \$171,300 loan amount, fixed, 30 year 7.625% with no costs to the borrower. (.25% reduction in rate)
12.	Robert C.		Rewrote loan at 8.25%
13.	Shawn R.	\$6,088.68 paid to 3 <sup>rd</sup> party on behalf of borrower	Refinanced; Borrower refinanced with another lender: RMS paid \$6,088.68 prepayment penalty on the borrower's behalf